

MMDT

Cash Portfolio

2012 INVESTMENT CIRCULAR





COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF THE STATE TREASURER
ROOM 227
STATE HOUSE
BOSTON, MA 02133

Dear Government Financial Professional:

Thank you for your interest in The Massachusetts Municipal Depository Trust (MMDT or Trust). Now in its 34th year, MMDT was established by the Commonwealth to provide an alternative investment vehicle for local governments. Its focus on balancing capital preservation with competitive returns has made it a trusted investment option for agencies, authorities, commissions, boards, cities, towns and other public entities in the Commonwealth.

MMDT's money market investment option, the MMDT Cash Portfolio, continues to offer treasury managers consistent and competitive yields at costs lower than other products in the market. Investors in the MMDT Cash Portfolio receive convenient access to their funds and an experienced team of professional portfolio managers and credit research analysts.*

The benefits of the Trust are attributed to its solid track record of growth. At the end of its first fiscal year, the Trust served 124 participants with \$65.6 million in the Portfolio. As of July 31, 2011, 628 participants invested approximately \$8.9 billion in public funds in the MMDT.

Some of the attractive advantages of the Cash Portfolio include flexibility and ease of use. Investments may be made in any amount for any period of time while dividends accrue daily. The Cash Portfolio also provides the liquidity investors demand. These withdrawals can be made by initiating a wire or by writing a check against MMDT Cash Portfolio balances.



Investors can also make withdrawals and purchases and obtain account information through MMDTNet, the MMDT's Internet-based account management system.

MMDT embodies the qualities the Commonwealth seeks in providing a competitive investment option, including high quality investments, exceptional customer service and access to proven, innovative account management technology.

There's no question the MMDT has played a vital role in helping many local governments and agencies manage cash flow. Today, at a time of economic challenge, it continues to offer capital preservation and competitive returns for local governments.

This investment circular provides more information about the services and benefits that the MMDT Cash Portfolio has to offer. I invite you to read it carefully and to contact the Trust's Administrator with any questions at 1-800-392-6095 or visit <https://advisor.fidelity.com/mmdtnet>.

Again, thank you for interest in MMDT.

Sincerely,

Steven Grossman
Treasurer and Receiver General
Commonwealth of Massachusetts

*Past performance is no guarantee of future results.

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Structure and Purpose

The Massachusetts Municipal Depository Trust (MMDT or Trust) offers the MMDT Cash Portfolio, an investment pool in which the Commonwealth and its political subdivisions can invest their cash. Its primary purpose is to offer participation in a diversified portfolio of high quality money market instruments that seeks to obtain the highest possible level of current income consistent with preservation of capital and liquidity.

Participation in the MMDT Cash Portfolio is open to the Commonwealth and its political subdivisions, including the following:

- Cities, towns, and counties
- Housing and redevelopment authorities
- Public retirement systems
- Regional transit authorities
- Regional school districts
- Most special purpose districts and authorities
- State and community colleges
- Certain state and local public agencies

Authority for Organization

In 1975, the General Court of the Commonwealth enacted legislation permitting the Massachusetts State Treasurer (State Treasurer), with the advice of the Investment Advisory Council, to establish one or more combined investment funds, and to offer participation units in such funds to agencies, authorities, commissions, boards, political subdivisions, and other public units. In addition, statutes were amended making purchase of such participation units a legal investment for funds in the custody of such public units (M.G.L. Ch. 29, Sec. 38A) and state and local retirement boards (M.G.L. Ch. 32, Sec. 23(2)(b)). The enabling legislation also requires the State Treasurer to adopt appropriate accounting procedures to determine the exact earnings of each participant.

Accordingly, the State Treasurer established the Massachusetts Municipal Depository Trust to provide an investment pool entirely separate from

other financial activities of the Commonwealth. The State Treasurer serves as the Trustee, and has sole authority pertaining to rules, regulations, and operations of the Trust. A participant's holdings in the Trust are not subject to creditors of the Commonwealth, nor will the Trust itself be affected by the financial difficulties of any participant. Further, M.G.L. Ch. 44, Sec. 55A, provides that certain local officials, who in good faith and with the exercise of due care purchase units of the Trust, shall not be personally liable to their cities or towns for the loss of funds invested in the Trust due to the Trust's closure.

Investment Objectives

The investment objectives of the MMDT Cash Portfolio are as follows:

Preservation of Capital

The Portfolio seeks to preserve the capital investment of all participants through prudent management and sound investment policies and restrictions.

Liquidity

The Portfolio aims to maintain sufficient liquidity to meet reasonably foreseeable participant redemptions.

High Current Yield

The Portfolio seeks to attain the highest possible level of current income consistent with the objectives of preservation of capital and liquidity.

Investment Policies and Restrictions

I. Objective & Strategy:

Pyramis Global Advisors Trust Company (the "Trust's Investment Advisor") seeks to achieve MMDT Cash Portfolio's investment objectives to obtain as high a level of current income as is consistent with preservation of capital and liquidity within the limitations set forth in this document. The Trust's Investment Advisor will limit the Cash Portfolio's investments to high quality U.S. dollar denominated 2a-7 eligible money market instruments of domestic and foreign issuers, U.S. Government securities, and repurchase agreements, as are authorized for investment pursuant to the statutory requirements to which the Portfolio is subject. Although the Trust's Investment Advisor may not buy all of these instruments or use all of these techniques, currently, the statutory requirements to which the Cash Portfolio is subject permit the Trust's Investment Advisor to invest the Trust's assets in any of the following permissible investments to achieve the stated investment objectives.

II. Permissible Investments:

- i. Obligations of the U.S. Government and foreign governments and their agencies or instrumentalities;
- ii. Supranational and other quasi-governmental organizations' debt obligations;
- iii. Obligations of banks (including Yankee and Euro certificates of deposit, commercial paper, time deposits and bankers' acceptances);
- iv. Obligations of other companies in the financial services industry, including banks, bank holding companies, savings and loan associations, consumer and industrial finance companies, securities brokerage companies and a variety of firms in the insurance field;
- v. Deposits in any savings bank, cooperative bank, and federal savings and loan institution whose principal office is located in the Commonwealth of Massachusetts;

- vi. Short-term corporate obligations, including commercial paper, notes, and bonds;
- vii. Asset-backed securities;
- viii. Overnight and term repurchase agreements and reverse repurchase agreements;
- ix. Municipal securities;
- x. 2a-7 eligible extendibles, variable and floating rate securities are permitted. Floating rate securities shall approximate amortized cost upon reset. Extendible securities will have an initial maturity not to exceed 397 days and require explicit action by the investor to extend;
- xi. U.S. Treasury Separate Trading of Registered and Principal Securities ("STRIPS");
- xii. Callable securities.

III. Maturity and Concentration Guidelines:

- i. The Cash Portfolio's assets will be managed to maintain a dollar-weighted average portfolio maturity of 60 days or less.
- ii. The Cash Portfolio's assets will be managed to maintain a dollar-weighted average life to maturity of 120 days or less.
- iii. The Cash Portfolio will not purchase any security other than cash, direct obligations of the U.S. Government or securities that will mature or are subject to a demand feature that is exercisable and payable within 1 business day (collectively, "daily liquid assets") if, immediately after the purchase, the Portfolio will have invested less than 10% of its total assets in daily liquid assets.
- iv. The Cash Portfolio will not purchase any security other than cash, direct obligations of the U.S. Government, government securities issued by a person controlled or supervised by and acting as an instrumentality of the U.S. Government that are issued at a discount to the principal amount to be repaid at maturity and have a remaining maturity date of 60 calendar days or less, or securities that will mature or are subject to a

The MMDT Cash Portfolio's goals are to seek the highest possible level of current income, consistent with preservation of capital and liquidity.

demand feature that is exercisable and payable within 5 business days (collectively, "weekly liquid assets") if, immediately after the purchase, the Portfolio will have invested less than 30% of its total assets in weekly liquid assets.

- v. The Investment Advisor will purchase only instruments with a remaining maturity of 397 days or less, except that (a) "Second Tier Securities" as defined by rule 2a-7 will not have a remaining maturity greater than 45 days, and (b) obligations underlying a repurchase agreement may have a final maturity date of more than 397 days.
- vi. At the time of purchase, no more than 5% of the Portfolio's total assets will be invested in securities of any single issuer except that there is no limitation on the percentage of assets that may be invested in securities of the U.S. Government, its agencies or instrumentalities or in repurchase agreements collateralized fully by such obligations.
- vii. No more than 25% of the total assets of the Portfolio may be invested in any one industry; except there is no limitation on the percentage of assets that may be invested in the financial services industry.
- viii. No more than 3% of the total assets of the Cash Portfolio may be invested in Second Tier Securities. In addition, no more than 1/2 of 1% of Cash Portfolio's total assets may be invested in Second Tier Securities of any single issuer.

IV. Credit Quality:

The Cash Portfolio's assets will be invested only in First Tier Securities and Second Tier Securities as defined by rule 2a-7.

V. Prohibited Transactions & Limitations:

- i. No investments may be made in "derivative" securities whose market value would not approximate par at scheduled interest rate reset dates. Examples of such securities include, but are not limited to the following:
 - a. futures
 - b. swaps
 - c. options
 - d. interest-only and principal-only mortgage-

backed securities

- e. inverse floaters, CMT floaters, leveraged floaters, dual index floaters, COFI floaters, and range floaters
- f. Structured Investment Vehicles (SIVs)
- g. Collateralized Debt Obligations (CDOs)
- h. Auction Rate Securities
- ii. Investments in securities with a floating rate coupon corresponding to short-term money market interest rate benchmarks and which conform to other Treasury maturity and credit standards are not considered derivatives and may be purchased under the condition that interest rate reset periods may not exceed six months.
- iii. It is the policy of the Treasurer not to have assets invested in entities, including banks, which have been identified as contributing to the violence in Northern Ireland and as such, may provide the Investment Advisor a list of prohibited issuers.
- iv. Investments in securities that are illiquid securities (i.e., not readily marketable), other than securities that cannot be sold or disposed of in the ordinary course within seven days at approximately the value ascribed to it by Cash Portfolio, will be limited to no more than 5% of the Cash Portfolio's net assets at the time of purchase.
- v. While the Trust's Investment Advisor normally purchases securities with the intention of holding them to maturity, it may, from time to time, engage in portfolio trading in an attempt to maximize total return.

The Cash Portfolio's yield will change daily based on changes in interest rates and other market conditions. While the Portfolio's assets will be invested in high quality instruments as described above, investment in the Portfolio is not without risk. For example, a major increase in interest rates or a decrease in the credit quality of the issuer of one of the Portfolio's investments could cause the Portfolio's unit price to decrease. If securities are sold before their maturity, their value may be more or less than par due to changes in value when interest rates rise or fall. Securities with longer maturities and the securities of issuers in the financial services sector can be more sensitive to interest rate changes. Short-term

securities tend to react to changes in short-term interest rates. Several policies have been instituted to minimize these changes in value (see “How Dividend, Yield, and Net Asset Value Are Determined”). Changes in the financial condition of an issuer, changes in specific economic or political conditions that affect a particular type of issuer, and changes in general economic or political conditions can affect the credit quality or value of an issuer’s securities. Entities providing credit support or a maturity-shortening structure also can be affected by these types of changes. If the structure of a security fails to function as intended, the security could decline in value. The Trust’s Investment Advisor invests assets only with issuers whose creditworthiness and compliance with the applicable statutes and policies have been reviewed and found satisfactory by the Trust’s Investment Advisor and approved by the Treasurer. See “Risks” for more information.

Online Access to MMDT

Technology is today’s driver. Whether at home or in the workplace, you will find some technology-based tool designed to make your life easier, more efficient, or more productive. MMDTNet has been created to help you with your work at the office. From account management to information sources, MMDTNet can be one of your most important online work tools. MMDTNet is an Internet-based application that allows participants of the Trust to obtain quotes and yields, view account information, process transactions such as purchases and redemptions, download forms and account reports, and obtain market information. Log on to <https://advisor.fidelity.com/mmdtnet>.

Established in 1977, the MMDT Cash Portfolio offers participants professional management, liquidity, and competitive yields.*

*Past performance is no guarantee of future results.

Participant Accounts

A municipality may open as many accounts as it desires. An account may be opened with a zero balance and maintained until activated with an initial deposit. A completed application must precede an initial deposit by wire and must either precede or coincide with an initial deposit by check. Each application should designate the person(s) authorized to effect transactions on the account(s), and should include verification of signatures and authority of the person(s) authorized to act. For additional information and forms to establish an account, call the MMDT Client Services Team at 1-800-392-6095, or visit MMDTNet to print out an account application.

The Cash Portfolio maintains participant accounts in terms of full and fractional units of participation, rounded to the nearest 1/1,000th of a unit. Since the Trust’s Investment Advisor endeavors to maintain the value of a unit at \$1.00 (see “How Dividend, Yield, and Net Asset Value Are Determined”), all balances and reports are expressed in full and fractional units of participation, which are equivalent to dollars and cents.

Warning Calls for Large Redemptions

To assist the Trust’s Investment Advisor in managing the MMDT Cash Portfolio effectively, we ask that participants provide one-day advance notice for investments or redemptions in excess of \$25 million by calling the MMDT Client Services Team at 1-800-392-6095.



Investing in the MMDT Cash Portfolio

Investments in the Cash Portfolio may be made on any business day in one of four ways, as described below.

1. By Wire:

Investments in any Cash Portfolio account may be made by wiring federal funds. All wire investments must be accompanied by a telephone call to the MMDT Client Services Team at 1-800-392-6095, or by an instruction transmitted online through MMDTNet. The following information should be included on the wire advice in order to ensure proper credit:

ABA#: 0110-0002-8
State Street Bank and Trust Company
Boston, Massachusetts 02101
BNF: Massachusetts Municipal Depository Trust
Cash Portfolio AC: 4444-436-2
OBI = Your account number with the MMDT
purchase identification code (assigned
by the Trust)

All Cash Portfolio investments by wire that are preceded by a telephone call to the MMDT Client Services Team or by an instruction transmitted online through MMDTNet before 5:00 p.m. ET on the day of the wire will be credited that day and are entitled to that day's dividend. Any telephone or online instruction received after 5:00 p.m. ET will not be accepted for same-day credit. The telephone call to the MMDT Client Services Team or online instruction must identify the amount, the name of the account to be credited, and the Cash Portfolio account number. The MMDT Client Services Team will assign a purchase identification code for each wire placed through a telephone call. Purchases placed online will receive an acknowledgement number.

2. By Mail:

Investments in any Cash Portfolio account may be made by sending a check payable to the Massachusetts Municipal Depository Trust to:

Massachusetts Municipal Depository Trust
P.O. Box 55367
Boston, Massachusetts 02205-5367

Investments by check received by 5:00 p.m. ET will be credited to the participant's account on the business day on which the check is received. Investments by check received after 5:00 p.m. ET will be credited to the participant's account on the first business day following receipt of the check. Dividends will begin to accrue on the next business day after the investment is credited.

Checks should be accompanied by a deposit slip that includes the total amount of the investment, amounts of the individual checks, and the Cash Portfolio account number. Please note that cash deposits are not accepted. Supplies of deposit slips are available by calling the MMDT Client Services Team.

3. Automated Clearing House (ACH):

Deposits made by ACH will be credited to the Trust account on the day of receipt, normally one business day following transmission, and will begin to accrue a dividend on that business day if received by 5:00 p.m. ET. ACH deposits received after 5:00 p.m. ET will be deposited to the account where they will begin to accrue dividends on the first business day following receipt. Please call the MMDT Client Services Team for ACH wiring instructions.

4. Direct Deposit:

Direct deposits of certain federal aid and state reimbursements can be arranged. Funds will be credited and begin earning dividends on the day they are received by the Trust Administrator, and may be redeemed by check or wire the following business day.

FOR ALL TRANSACTIONS PLEASE CALL 1-800-392-6095

Redemptions

Redemption of all or any part of a collected balance in an account may be made on any business day in one of the following two ways:

1. By Wire:

Call 1-800-392-6095 or visit MMDTNet to redeem any amount of your available balance and have it wired in federal funds to any designated bank account authorized by an authorized official. All wire redemption requests must be received before 5:00 p.m. ET to be wired that day by the close of the Federal Reserve wire system. Dividends are earned through the preceding day. Any telephone or online redemption instructions received after 5:00 p.m. ET will not be accepted for same day processing.

For your protection, funds may be wired only to those bank accounts designated in writing by an authorized official. There is no limit to the number of bank accounts that may be listed. Bank wire changes may not be made directly on MMDTnet. Please call the MMDT Client Services Team for instructions to designate additional bank accounts for redemptions. Participants may initiate redemption transactions by telephone or electronically, including electronic orders placed in advance of the trade date once proper authorization has been received by the Trust's Administrator. Note that neither the Trust nor the Trust's Administrator will be responsible for any losses resulting from an unauthorized redemption transaction if it follows reasonable security procedures designed to verify the identity of the caller. The Trust Administrator will request personalized security codes or other verification information and may record calls. For redemption transactions conducted through the Internet, the use of an Internet browser with 128-bit encryption is recommended. The participant should verify the accuracy of its confirmation statements immediately after receipt. If you do not want the ability to sell and exchange by telephone, call 1-800-392-6095 for instructions.

2. By Check:

Check writing may be added to any account at any time by filing a properly completed signature card with the Trust Administrator. Checks may be written for any amount of an account's available balance and made payable to any person or entity. Funds withdrawn by check will continue to earn

dividends through the business day prior to the day they are posted to the Cash Portfolio account on which they were drawn.

The Trust Administrator provides supplies of checks at no charge. Supplies of checks may be ordered by calling the MMDT Client Services Team. Participants also may print their own checks. For more information on check specifications and testing requirements prior to use, please call the MMDT Client Services Team.

Participants may request that the Portfolio issue a check made payable to the participating entity. Checks will be mailed to the participant's address of record upon receipt of properly authorized instructions.

FOR ALL TRANSACTIONS PLEASE CALL 1-800-392-6095





Transfers Between Accounts

Transfers between accounts of the same participant can be made by calling the MMDT Client Services Team, electronically through MMDTNet, or by sending written notification to:

Massachusetts Municipal Depository Trust
P.O. Box 55367
Boston, Massachusetts 02205-5367

Transfer requests made to the MMDT Client Services Team or online by 5:00 p.m. ET on any business day will be processed the same day.

Participants who wish to establish special authorization for the payment of assessments by transfer between Cash Portfolio accounts should call the MMDT Client Services Team for instructions and necessary forms. Transfers between accounts of different municipal entities cannot be made without previous written authorization.

Exchanges

You can request an exchange (move money from one MMDT investment option to another) by calling the MMDT Client Services Team or visiting MMDTNet. Transaction requests received after the close of the market, normally 4:00 p.m. ET, or on weekends or holidays, will receive the next business day's (or next calculated) closing price. MMDT reserves the right to modify or withdraw the exchange privilege.

Closing an Account

Participants who wish to bring an account to a zero balance should call the MMDT Client Services Team to receive proper instructions for withdrawing the balance. Accounts that are closed during any given month will receive the accrued dividends at the beginning of the following month.

Participants who wish to receive accrued but undistributed dividends at the time the account is closed should request this when they call the MMDT Client Services Team.

New Treasurer Authorization

A New Treasurer Authorization form should be filed with the Trust Administrator when the treasurer or other authorized official for an investment account changes. In addition, for each account that has elected to use the check writing privilege, a new signature card should be filed with the Trust Administrator for any account on which an authorized signatory(ies) has changed. The Trust Administrator is authorized to rely on the existing form and card until the proper authorization has been filed. Information and the necessary forms are available by calling 1-800-392-6095 or by visiting MMDTNet.

Available Forms

Participants may obtain any MMDT forms they require by calling the MMDT Client Services Team or by visiting MMDTNet. Available forms include the New Treasurer Authorization Form, New Account Application, Signature Card, and MMDTNet User Agreement.

Audit Confirmation Request

Auditors should send requests for confirmations of account balances directly to the Trust Administrator as follows:

Massachusetts Municipal Depository Trust
P.O. Box 55367
Boston, Massachusetts 02205-5367

An authorized official of the municipality must sign the auditor's request form or letter.

FOR ALL TRANSACTIONS PLEASE CALL 1-800-392-6095

Business Days

The Trust's Investment Advisor is open for business and the Cash Portfolio's net asset value (NAV) per unit is calculated each day on which both the Federal Reserve Bank of Boston and the New York Stock Exchange are open. At no time will the Trust Investment Advisor's office be closed for more than one day in observance of the same holiday. In the event such a case should arise, the Trust's Investment Advisor would follow the New York Stock Exchange closing schedule. All holiday announcements will be available on MMDTNet prior to the upcoming holiday. Additionally, one week prior to the holiday, a taped announcement will be available by calling the MMDT Client Services Team.

The following are the holidays or their observances on which either the Federal Reserve Bank of Boston or the New York Stock Exchange normally are closed:

New Year's Day
Dr. Martin Luther King, Jr., Day
Presidents Day
Good Friday
Memorial Day
Independence Day
Labor Day
Columbus Day
Veterans Day
Thanksgiving Day
Christmas Day

The MMDT reserves the right to suspend the right of redemption or to postpone the date of payment on redemption for any period during which an emergency exists (including any day on which trading on the New York Stock Exchange is suspended or restricted), as a result of which disposal of the portfolio securities owned by the Cash Portfolio is not reasonably practicable, or it is not reasonably practicable to determine the fair value of its net assets. The sole Trustee of the MMDT (i.e., the State Treasurer) shall have the sole authority to determine when suspensions of business shall be made.

Dividends and Yields

Dividends accrue on a daily basis and are paid at the declared daily rate on the actual number of units of participation in the account. The dividend is paid on the first business day of the month following the month in which it was accrued, and is automatically reinvested into the account unless otherwise instructed by an authorized official.

Dividend amounts are available the next business day by calling the MMDT Client Services Team or visiting MMDTNet. Quotations of the annualized daily dividend rate, the seven-day average annual yield, and the average annual yield for the preceding month also are available by calling the MMDT Client Services Team or visiting MMDTNet.

For an explanation of how dividends and yields are computed, see "How Dividend, Yield, and Net Asset Value Are Determined."

Transaction Summaries and Statements

A transaction summary of each transaction reflecting the date, amount, type of transaction processed, and the resulting account balance will be sent promptly by mail for each transaction. A monthly account statement reflecting all transactions for the month, the dividend paid, the fiscal year-to-date dividends, and any paid checks will be sent after the close of each month, normally within five business days. This monthly statement is provided in lieu of an immediate confirmation for each transaction pursuant to Municipal Securities Rulemaking Board Rule G-15. Participants who wish to receive only monthly statements or who require information regarding the current status of any account should call the MMDT Client Services Team. Account information is also available through MMDTNet.

Participants receive monthly account statements and complimentary copies of MMDT News.

FOR ALL TRANSACTIONS PLEASE CALL 1-800-392-6095

How Dividend, Yield, and Net Asset Value Are Determined

Dividend

The net income of Portfolio assets is determined at the close of business each day. The calculation includes interest accrued or discount earned (including both original issue and market discount), plus or minus amortization of accumulated gains or losses realized on the sale of assets of the Portfolio (see below), less amortization of premium and the expenses accrued to the Portfolio applicable to that dividend period.

All net income so determined is declared as a dividend to participants each day. Dividends are accrued throughout the month and, if automatically reinvested, purchase additional participation units at the net asset value (expected to be \$1) determined on the last business day of the current month. If the entire balance in an account is withdrawn during the month, accrued dividends will be paid on the first business day of the following month.

Yield

Annualized One-Day Yield Calculation

To determine the annualized one-day yield for the Cash Portfolio, take the daily dividend rate for a specific day, multiply it by 365, and then multiply it by 100 to arrive at a percentage. (Example: daily dividend rate of 0.000144 x 365 x 100 = 5.26%)

The annualized seven-day and annualized monthly yields reflect an average of the yield over the past seven days or month.

A participant may call the MMDT Client Services Team at 1-800-392-6095 or visit MMDTNet for a current yield quote. The current yield refers to the income generated by an investment in the Cash Portfolio over a period of time (normally one day, seven days, or monthly) expressed as an annual percentage rate.

Net Asset Value

The net asset value per unit of the MMDT Cash Portfolio is calculated by adding the value of all portfolio securities and other assets, deducting the Cash Portfolio's actual and accrued liabilities, and dividing by the number of units outstanding.

Investments in the Portfolio are not a deposit of a bank and are neither insured nor guaranteed by the Commonwealth of Massachusetts, or the Federal Deposit Insurance Corporation (FDIC), or the U.S. Government—or any of its agencies. Although the Cash Portfolio is managed to seek to maintain a stable \$1 unit price, there is no guarantee it will be able to do so and it is possible to lose money by investing in the Portfolio.

The Cash Portfolio's assets are valued on the basis of the amortized cost valuation technique. This involves valuing an instrument at its cost as adjusted for amortization of a premium or accretion of a discount, rather than its value based on current market quotations or appropriate substitutes that reflect current market conditions. While this method provides certainty of valuation, it may result in periods during which value, as determined by amortized cost, is higher or lower than the price received if the instrument were sold. The Trust has established policies to stabilize, to the extent reasonably possible, the price per unit at \$1. These policies include regular review of the market value of the Portfolio's holdings by the Trustee, and the right of the Trustee to take corrective action as deemed appropriate. Such corrective action could include any of the following actions:

- The sale of instruments prior to maturity to realize capital gains or losses, or to shorten average portfolio maturity

- Withholding dividends

- Redemption of units in kind

- Establishing NAV by using available market quotations

- Other measures the Treasurer may deem appropriate

Certain occasions may arise in which the Trust's Investment Advisor sells some portfolio holdings prior to maturity. The proceeds realized by such a sale may be higher or lower than the original cost, resulting in a capital gain or loss. These gains and losses are amortized by adjusting the daily net income and distribution. Gains and losses shall be amortized and distributed as soon as practicable, but in no case shall the period of amortization exceed one year.

Expenses of the MMDT Cash Portfolio

The Trust pays one all-inclusive management fee for investment management, custody, administration, and other participant services of the Cash Portfolio. The fee is accrued each day and is paid monthly at an annual percentage rate determined using the fee schedule that follows. The fee is paid to Pyramis Global Advisors Trust Company, a Fidelity Investments company, the Trust's Investment Advisor. Pyramis is responsible for paying all operating expenses of the Trust (excluding expenses of the Trustee, brokerage fees, commissions, taxes, and extraordinary nonrecurring expenses). No direct fees are charged to participants.

Average Net Assets (\$ billions)	Annualized Fee Rate
Less than or equal to \$1 billion	0.13%
Greater than \$1 billion and less than or equal to \$2 billion	0.11%
Greater than \$2 billion and less than or equal to \$3 billion	0.10%
Greater than \$3 billion and less than or equal to \$6 billion	0.08%
Greater than \$6 billion	0.07%

Annualized fee rates are charged in a tiered fashion such that 0.13% is charged on the first \$1 billion or less of average net assets, 0.11% is charged on amounts in excess of \$1 billion to \$2 billion and so on.

Arbitrage Calculation

Certain federal income tax regulation changes effective for tax-exempt bonds issued after July 7, 1997, may cause an investment of tax-exempt bonds in the Cash Portfolio to incur phantom income. Participants who deposit the proceeds of such bonds into the Cash Portfolio may be required by the Internal Revenue Service (IRS) to characterize all or a portion of the management fee associated with the Cash Portfolio as additional income when calculating the bond issuer's arbitrage rebate liability. Failure to include this phantom income in arbitrage rebate calculations may cause the participant to rebate less than is required to the

Internal Revenue Service. Participants who wish to invest proceeds of tax-exempt bonds issued after July 7, 1997, in the MMDT may be required to sign a form acknowledging the change in tax regulations and its potential effect on any rebate relating to their investment in the Portfolio.

Participants should consult their bond counsel before investing the proceeds of such bonds in the Cash Portfolio.

Continuing Disclosure Obligations

To the extent applicable to comply with Rule 15c2-12 (the "Rule") under the Securities Exchange Act of 1934, on behalf of the Trust, and for the benefit of registered and beneficial unit holders of the Trust, the Trust has executed an Investment Management Agreement (the "Agreement") that provides for the continuing disclosure of certain information as required by the Rule. Under the Agreement, Pyramis is obligated to provide certain financial information related to the Trust annually to each nationally recognized municipal securities information repository (NRMSIR), and to a recognized information depository in the Commonwealth of Massachusetts, if one exists. The Agreement further requires that Pyramis provide notice of the occurrence of certain events enumerated in the Agreement to either the Municipal Securities Rulemaking Board or each NRMSIR, and to a recognized information depository in the Commonwealth of Massachusetts, if one exists.

Annual Audit

PricewaterhouseCoopers LLP, an independent registered public accounting firm, will audit the Cash Portfolio's financial statements following the close of each fiscal year. The audit will include a physical count of securities held by the custodian, State Street Bank and Trust Company, and a review of the adequacy of controls through a systems review and evaluation. An annual report including the Auditor's opinion will be issued to each participant of record as of June 30, the close of the Cash Portfolio's fiscal year. Pyramis will pay all costs of conducting the audit and issuing the annual report.



Legal Considerations

MMDT is not a mutual fund and is exempted from the Investment Company Act of 1940. Investments in the Portfolio are not a deposit of a bank and are neither insured nor guaranteed by the Commonwealth of Massachusetts, FDIC, or the U.S. Government—or any of its agencies. Although the Cash Portfolio is managed to seek to maintain a stable \$1 unit price, there is no guarantee it will be able to do so and it is possible to lose money by investing in the Portfolio. For more information about MMDT's structure, please see "Structure and Purpose" and "Authority for Organization."

Trust Investment Advisor, Servicing Agents, and Custodian

The Trust has retained as its investment advisor Pyramis Global Advisors Trust Company (Pyramis), a Fidelity Investments company. Pursuant to a contract dated January 1, 2006, Pyramis provides the Trust with advice and assistance in the selection of MMDT Cash Portfolio investments. Pyramis also provides all necessary office space, facilities, and personnel; assists in providing participant communications; pays all expenses of the Portfolio (see "Expenses of the MMDT Cash Portfolio"); and generally maintains the Portfolio's organization. Pyramis manages a variety of equity, fixed-income, and money market mutual funds for institutional investors.

Fidelity Investments Institutional Services Company, Inc. (FIIS), provides ongoing communication and education services for participants. FIIS is reimbursed by Pyramis for providing these services to the Portfolio.

Fidelity Investments Institutional Operations Company, Inc. (FIIOC or Trust Administrator), is transfer agent to the Portfolio and provides such services as maintaining and servicing participant account records and distributing dividends. FIIOC is reimbursed by Pyramis for providing these services to the Portfolio.

Fidelity Service Company, Inc. (FSC), determines the NAV and income distributions of the Portfolio's assets and maintains the portfolio and general accounting records for the Trust. FSC is reimbursed by Pyramis for providing these services to the Portfolio. State Street Bank and Trust Company of Boston (State Street) has been selected as custodian of the assets of the Portfolio. State Street has one of

the largest custody operations in the industry. Pyramis reimburses State Street for providing custody services to the Portfolio.

Advisory Board

An Advisory Board, whose members have been chosen by the State Treasurer, has been established to serve as a liaison to participants in the Trust, the State Treasurer as Trustee of the MMDT, and the Trust's Investment Advisor. The Board is comprised of officials of municipalities eligible to participate in the Trust and a representative of the State Treasurer and meets periodically.

Changes in Policies and Regulations

Under the Trust's enabling legislation and Declaration of Trust, the Treasurer of the Commonwealth has the sole authority to make changes in the policies and regulations governing the operations of the Portfolio, and to take certain actions that could increase the expenses of the Portfolio to account holders.

The authority to declare suspensions of business exists primarily to protect unit holders in the event of unusual or unforeseen circumstances arising in the Portfolio's operations. At the present time, the Treasurer has no plans to use such authority except in the event of emergencies such as those described in "Business Days," or if the Trustee determines that failure to act under the circumstances could have a material adverse effect upon the unit holders of the Portfolio. The Treasurer hereby assures participants that no actions either changing the Investment Policies and Restrictions or increasing the expenses of the Portfolio will be initiated without prior written notice to all affected parties unless such changes are made pursuant to legislation.

Unless otherwise noted, whenever an investment policy or limitation states a maximum percentage of the Portfolio's assets that may be invested in any security or other asset, or sets forth a policy regarding quality standards, such standard or percentage limitation will be determined immediately after and as a result of the Portfolio's acquisition of such security or other asset. Accordingly, any subsequent change in values, net assets, or other circumstances will not be considered when determining whether the investment complies with the Portfolio's investment policies and limitations.

Risks

The following pages provide a brief description of securities in which the Portfolio's assets may be invested and the principal risks associated with those investments, as well as the transactions the Trust's Investment Advisor may initiate on behalf of the Portfolio. The Trust's Investment Advisor is not limited by this discussion, however, and may purchase other types of securities and enter into other types of transactions if they are consistent with the MMDT Cash Portfolio's investment objectives and policies and the statutory requirements to which the Portfolio is subject.

Asset-Backed Securities represent interests in pools of assets and loans, such as receivables, credit cards, and mortgages. Payment of interest and repayment of principal may be largely dependent upon the cash flows generated by the assets backing the securities and, in certain cases, supported by letters of credit, surety bonds, or other credit enhancements. Asset-backed security values may also be affected by other factors including changes in interest rates, the availability of information concerning the pool and its structure, the creditworthiness of the servicing agent for the pool, the originator of the loans or receivables, or the entities providing the credit enhancement. In addition, these securities may be subject to prepayment risk.

Domestic and Foreign Investments include U.S. dollar-denominated time deposits, certificates of deposit, and bankers' acceptances of U.S. banks and their branches located outside the United States, U.S. branches and agencies of foreign banks, and foreign branches of foreign banks. Domestic and foreign investments may also include U.S. dollar-denominated securities issued or guaranteed by other U.S. or foreign issuers, including U.S. and foreign corporations or other business organizations, foreign governments, foreign government agencies or instrumentalities, and U.S. and foreign financial institutions, including savings and loan institutions, insurance companies, mortgage bankers, and real estate investment trusts, as well as banks.

The obligations of foreign branches of U.S. banks may not be obligations of the parent bank in addition to the issuing branch, and may be limited by the terms of a specific obligation and by governmental regulation. Payment of interest and repayment of principal on these obligations may also be affected by governmental action in the country of domicile of the branch (generally referred to as sovereign risk) or by war or civil conflict. In addition, settlement of trades may occur outside of the United States and

evidence of ownership of portfolio securities may be held outside of the United States. Accordingly, a fund may be subject to the risks associated with the settlement of trades and the holding of such property overseas. Various provisions of federal law governing the establishment and operation of U.S. branches do not apply to foreign branches of U.S. banks.

Obligations of U.S. branches and agencies of foreign banks may be general obligations of the parent bank in addition to the issuing branch, or may be limited by the terms of a specific obligation and by federal and state regulation, as well as by governmental action in the country in which the foreign bank has its head office.

Obligations of foreign issuers involve certain additional risks. These risks may include future unfavorable political and economic developments, withholding taxes, seizures of foreign deposits, currency controls, interest limitations, or other governmental restrictions that might affect repayment of principal or payment of interest, or the ability to honor a credit commitment. Additionally, there may be less public information available about foreign entities. Foreign issuers may be subject to less governmental regulation and supervision than U.S. issuers. Foreign issuers also generally are not bound by uniform accounting, auditing, and financial reporting requirements comparable to those applicable to U.S. issuers.

Illiquid Securities cannot be sold or disposed of in the ordinary course of business within seven calendar days at approximately the value ascribed to them by the Portfolio. Difficulty in selling securities may result in a loss or may be costly to the Portfolio. In determining the liquidity of the Cash Portfolio's investments, the Trust's Investment Advisor may consider various factors, including:

1. The frequency and volume of trades and quotations
2. The number of dealers and prospective purchasers in the marketplace



3. Dealer undertakings to make a market and,
4. The nature of the security and the market in which it trades (including any demand, put or tender features, the mechanics and other requirements for transfer, any letters of credit or other credit enhancement features, any ratings; the number of holders, the method of soliciting offers, the time required to dispose of the security, and the ability to assign or offset the rights and obligations of the security)

Money Market Securities are high-quality, short-term securities that pay a fixed, variable or floating interest rate. Money market securities may be structured to be, or may employ a trust or other form so that they are eligible investments for the Cash Portfolio. For example, put features can be used to modify the maturity of a security or interest rate adjustment features can be used to enhance price stability. If a structure fails to function as intended, adverse tax or investment consequences may result. Neither the Internal Revenue Service (IRS) nor any other regulatory authority has ruled definitively on certain legal issues presented by certain structured securities. Future tax or other regulatory determinations could adversely affect the value, liquidity, or tax treatment of the income received from these securities or the nature and timing of distributions made by the Portfolio. Money market securities include bank certificates of deposit, bank acceptances, bank time deposits, notes, commercial paper, and U.S. Government securities.

Put Features entitle the holder to sell a security back to the issuer or a third party at any time or at specified intervals. In exchange for this benefit, the Portfolio may accept a lower interest rate. Securities with put features are subject to the risk that the put provider is unable to honor the put feature (purchase the security). Put providers often support their ability

to buy securities on demand by obtaining letters of credit or other guarantees from other entities. Demand features, standby commitments, and tender options are types of put features.

Repurchase Agreements involve an agreement to purchase a security and to sell that security back to the original seller at an agreed-upon price. The resale price reflects the purchase price plus an agreed-upon incremental amount which is unrelated to the coupon rate or maturity of the purchased security. As protection against the risk that the original seller will not fulfill its obligation, the securities are held in a separate account at a bank, marked-to-market daily, and maintained at a value at least equal to the sale price plus the accrued incremental amount. The value of the security purchased may be more or less than the price at which the counterparty has agreed to purchase the security. In addition, delays or losses could result if the other party to the agreement defaults or becomes insolvent. The Portfolio will engage in repurchase agreement transactions with parties whose creditworthiness has been reviewed and found satisfactory by the Trust's Investment Advisor.

Restricted Securities are subject to legal restrictions on their sale. Difficulty in selling securities may result in a loss or be costly to the Portfolio. Restricted securities generally can be sold in privately negotiated transactions pursuant to an exemption from registration under the Securities Act of 1933 or in a registered public offering. Where registration is required, the holder of a registered security may be obligated to pay all or part of the registration expense and a considerable period may elapse between the time it decides to seek registration and the time it may be permitted to sell a security under an effective registration statement. If, during such a period, adverse market conditions were to develop, the holder might obtain a less favorable price than prevailed when it decided to seek registration of the security.

Reverse Repurchase Agreements. In a reverse repurchase agreement, the Portfolio sells a security to another party, such as a bank or broker-dealer, in return for cash and agrees to repurchase that security at an agreed-upon price and time. The Portfolio will enter into reverse repurchase

agreements with parties whose creditworthiness has been reviewed and found satisfactory by the Trust's Investment Advisor. Such transactions may increase fluctuations in the market value of the Portfolio assets and the Portfolio's yield and may be viewed as a form of leverage.

Sources of Liquidity or Credit Support. Issuers may employ various forms of credit and liquidity enhancements, including letters of credit, guarantees, swaps, puts, and demand features, and insurance provided by domestic or foreign entities such as banks and other financial institutions. For purposes of making initial and ongoing minimal credit determinations, the Trust's Investment Advisor may rely on its evaluation of the credit of the issuer or the credit of the liquidity or credit enhancement provider. In evaluating the credit of a foreign bank or other foreign entities, factors considered may include whether adequate public information about the entity is available and whether the entity may be subject to unfavorable political or economic developments, currency controls, or other government restrictions that might affect its ability to honor its commitment. Changes in the credit quality of the issuer and/or entity providing the enhancement could affect the value of the security or the Portfolio's share price.

Stripped Securities are the separate income or principal components of a debt security. The risks associated with stripped securities are similar to those of other money market securities, although stripped securities may be more volatile. U.S. Treasury securities that have been stripped by a Federal Reserve Bank are obligations issued by the U.S. Treasury.

Privately stripped government securities are created when a dealer deposits a U.S. Treasury security or other U.S. Government security with a custodian for safekeeping. The custodian issues separate receipts for the coupon payments and the principal payment, which the dealer then sells.

Because the Securities and Exchange Commission does not consider privately stripped government securities to be U.S. Government securities for purposes of Rule 2a-7, the Portfolio must evaluate them as it would non-government securities pursuant to regulatory guidelines applicable to money market funds.

U.S. Government Securities are high-quality securities issued or guaranteed by the U.S. Treasury or by an agency or instrumentality of the U.S. Government. U.S. Government securities may be backed by the full faith and credit of the U.S. Treasury, the right to borrow from the U.S. Treasury, or the agency or instrumentality issuing or guaranteeing the security.

Variable and Floating Rate Securities provide for periodic adjustments in the interest rate paid on the security. Variable rate securities provide for a specified periodic adjustment in the interest rate, while floating rate securities have interest rates that change whenever there is a change in a designated benchmark rate or the issuer's credit quality. Some variable or floating rate securities are structured with put features that permit holders to demand payment of the unpaid principal balance plus accrued interest from the issuers or certain financial intermediaries.

When-Issued and Forward Purchase or Sale Transactions involve a commitment to purchase or sell specific securities at a predetermined price or yield in which payment and delivery take place after the customary settlement period for that type of security. Typically, no interest accrues to the purchaser until the security is delivered.

When purchasing securities pursuant to one of these transactions, the purchaser assumes the rights and risks of ownership, including the risks of price and yield fluctuations and the risk that the securities will not be issued as anticipated. Because payment for the securities is not required until the delivery date, these risks are in addition to the risks associated with the Portfolio's investments. If the Portfolio remains substantially fully invested at a time when a purchase is outstanding, the purchases may result in a form of leverage. When the Portfolio has sold a security pursuant to one of these transactions, the Portfolio does not participate in further gains or losses with respect to the security. If the other party to a delayed-delivery transaction fails to deliver or pay for the securities, the Portfolio could miss a favorable price or yield opportunity or suffer a loss.

The Portfolio may renegotiate a when-issued or forward transaction and may sell the underlying securities before delivery, which may result in capital gains or losses for the Portfolio.

Ratings

The descriptions that follow are examples of eligible ratings of securities that the Portfolio may purchase. The Portfolio may consider the ratings for other types of investments and the ratings assigned by other rating organizations when determining the eligibility of a particular investment.

Description of Moody's Investors Service, Inc., commercial paper ratings:

Prime-1: Issuers rated Prime-1 (or related institutions) have a superior capacity for repayment of short-term promissory obligations. Prime-1 repayment capacity will normally be evidenced by the following characteristics:

- i. Leading market positions in well established industries
- ii. High rates of return on funds employed
- iii. Conservative capitalization structures with moderate reliance on debt and ample asset protection
- iv. Broad margins in earnings coverage of fixed financial charges with high internal cash generation
- v. Well-established access to a range of financial markets and assured sources of alternate liquidity

Prime-2: Issuers rated Prime-2 (or related supporting institutions) have a strong capacity for repayment of short-term promissory obligations. Normally this will be evidenced by many of the characteristics cited previously but to a lesser degree. Earnings trends and coverage ratios, while sound, will be more subject to variation. Capitalization characteristics, while still appropriate, may be more affected by external conditions. Ample alternate liquidity is maintained.

Description of Moody's Investors Service, Inc., corporate bond ratings:

Aaa: Obligations rated Aaa are judged to be of the highest quality, with minimal credit risk.

Aa: Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.

A: Obligations rated A are considered upper-medium grade and are subject to low credit risk.

Description of Standard & Poor's Corporation commercial paper ratings:

A1: This designation indicates that the degree of safety regarding timely payment is either overwhelming or very strong. Those issues determined to possess overwhelming safety characteristics will be denoted with a plus (+) sign designation.

A2: Indicates that capacity for timely payment is strong. However, the relative degree of safety is not so high as for those issues designated A1.

Description of Standard & Poor's Corporation corporate bond ratings:

AAA: An obligation rated 'AAA' has the highest rating assigned by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

AA: An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong.

A: An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.





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